

E-002/GR-87-670AFTER RECONSIDERATION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Application of Northern  
States Power Company for Authority to  
Increase Its Rates for Electric Service in  
Minnesota

ISSUE DATE: October 20, 1988

DOCKET NO. E-002/GR-87-670

ORDER AFTER RECONSIDERATION

PROCEDURAL HISTORY

On August 23, 1988, the Minnesota Public Utilities Commission (the Commission) issued its Findings of Fact, Conclusions of Law and Order in the above-captioned proceeding.

Timely Petitions for Reconsideration of that Order were filed on September 12, 1988, by Northern States Power Company (NSP or the Company), the North American Water Office (NAWO), the Minnesota Department of Public Service (Department or DPS), and the Residential Utilities Division of the Office of the Attorney General (RUD-OAG). The Minnesota Senior Federation filed a late Petition on September 23, 1988.

NSP, the DPS, and the RUD-OAG filed Replies to the Petitions on September 22, 1988.

On September 30, 1988 the Commission issued its Order Granting Petitions for Reconsideration which granted reconsideration of the timely-filed Petitions for purposes of examining the claims raised in them at a later time.

On September 21, 1988, NSP filed its Motion for Partial Stay of Order and Approval Northern States Power Company's Compliance Filing and Refund Plan. The DPS filed a Response to this filing on September 30, 1988.

On October 18, 1988, the Commission heard oral arguments and made the following determinations.

## FINDINGS AND CONCLUSIONS

The Commission will address the issues raised in the various Petitions.

### Jurisdictional Cost Allocation

In its filing, NSP proposed to change its jurisdictional demand cost allocation method for Minnesota retail rates from the Summer and Winter Peaks method to the 12 Monthly Coincident Peaks (12-CP) method. The Commission had disallowed this change in the Company's last electric general rate case. Granting the request in this case would increase NSP's revenue requirement by \$1,058,000, according to a compliance filing made by the Company on September 21, 1988.

In the August 23, 1988 Order, the Commission found that a consistent allocation method should be used in all of NSP's jurisdictions. The Commission also found that other jurisdictions do not agree on an alternative to the Summer and Winter Peaks method. On that basis the Commission found that it was premature to change from the Summer and Winter Peaks method it had previously approved and ordered final rates based on that method rather than the 12-CP method proposed by NSP.

In its Petition, NSP argued that in its last rate case, Docket No. E-002/GR-85-558, the Commission approved the Summer and Winter Peaks method in part because the Federal Energy Regulatory Commission (FERC) had not adopted the 12-CP method for jurisdictional demand cost allocation. The FERC has now adopted the 12-CP method.

NSP argued further that, with the adoption of the 12-CP method by FERC, the only way to achieve the Commission's goal of consistency in the near future is for the Commission to adopt the 12-CP method. Because the issue is now being reheard in North Dakota, and heard for the first time in South Dakota, there is an opportunity for all jurisdictions to agree on the 12-CP method.

Both the DPS and the RUD-OAG supported NSP's request for reconsideration of this issue, for essentially the same reasons as those given by the Company. NSP, the DPS, and the RUD-OAG pointed out that no party opposed the 12-CP method in this case. NSP argued that, on its merits, the 12-CP method is better than the Summer and Winter Peaks method because NSP's demand-related equipment (and therefore cost) is planned to meet all twelve monthly peaks rather than just the summer and winter peaks.

The Commission will grant NSP's request for reconsideration on this issue. The Commission continues to recognize consistent cost allocation among the various jurisdictions as a worthwhile goal. The Commission is convinced by the arguments of NSP, the DPS and the RUD-OAG that adopting the 12-CP method is the only way to achieve this goal in the near future. In addition, the Commission has not previously found the method unreasonable on its merits. The Commission finds that NSP's demand-related equipment (and therefore cost) is planned to meet all twelve monthly peaks rather than just the summer and winter peaks and, therefore, concludes that the 12-CP method is a reasonable method of allocating demand-related costs among jurisdictions and will authorize it for NSP.

### Nuclear Decommissioning

The DPS requested reconsideration of the Commission's decision on nuclear decommissioning. In its August 23, 1988 Order the Commission rejected the parties' stipulation on nuclear decommissioning and reaffirmed the use of internal funding and the cost estimation from the Commission's October 27, 1987 Findings of Fact, Conclusions of Law and Order in In the Matter of the Petition of Northern States Power Company for Depreciation Certification for Expected Decommissioning Costs for the Monticello and Prairie Island Nuclear Steam Generating Facilities, Docket No. E-002/D-86-604.

In its Petition, the Department requested that the Commission accept the stipulation thereby reducing the estimated cost of decommissioning by \$99 million and asked the Commission to require an external fund. The Company and the RUD-OAG supported the DPS position.

The Commission finds that the issues concerning the costs and funding of nuclear decommissioning have been fully analyzed in Docket No. E-002/D-86-604 and its August 23, 1988 Order. The Commission is unconvinced that changing its nuclear decommissioning decisions on the record before it is in the interest of ratepayers.

The Commission believes that the study of decommissioning costs offered by the Department should be thoroughly analyzed before changes are made to the existing Commission-approved decommissioning plan. Further, the Nuclear Regulatory Commission (NRC) has promulgated rules on decommissioning that require that a decommissioning funding plan be submitted by July 27, 1990. This plan must comply with NRC criteria that will provide funding assurance similar to, but not the same as, that proposed by the DPS. Finally, at the present time, there are tax considerations to analyze before switching from an internal funding method to an external one. The Commission believes that other state Commissions, the National Association of Regulatory Utility Commissioners, and state and federal lawmakers may address the tax implications of the NRC rules before July, 1990 and modifications may result that can benefit ratepayers. Therefore, the Commission is reluctant to change NSP's decommissioning funding method at this time and will deny the Department's Petition.

The Commission has shown its concern with the decommissioning costs for the Monticello and Prairie Island facilities, the method of funding those costs and the NRC pronouncements. In its

October 27, 1987 decommissioning Order, the Commission shortened the time period between review of decommissioning studies to more effectively monitor decommissioning plans and coordinate changes with the NRC requirements. Finally, the Commission believes that the decision made here does not foreclose an early review of decommissioning issues in Docket No. E-002/D-86-604.

#### Medical Needs Discount

The RUD-OAG requested reconsideration of the Commission's decision denying a medical needs discount. The 25% discount would have applied to all electric usage up to 1000 kWh for medically-qualifying customers.

The Commission will deny the RUD-OAG request. The Commission finds that no new evidence or arguments have been presented on this issue. Nevertheless, the Commission is concerned that electric bills for certain rate payers may be inequitable due to their medical conditions. The Commission requests that members of its staff, representatives from the Department, the RUD-OAG, and the Company meet to explore the issues raised by a medical needs discount and within one month report to the Commission on methods to address them, i.e. task force, investigation, referral to the legislature, no action.

#### NAWO's Conservation Proposal

The Commission finds that NAWO's September 12, 1988 petition does not raise any issues or matters not previously considered and addressed by the Commission and addressed in its August 23, 1988 Order. The Commission will deny NAWO's Petition.

#### Miscellaneous Issues

In response to the Commission's August 23, 1988 Order, the Company provided information on conservation improvement program expenditures, penetration rates, kW and kWh reductions for 1985 through 1988. The DPS commented that NSP had not complied with the Commission Order and that NSP had agreed to file additional information.

The Commission will order NSP to file this information within 30 days of the service date of this issue.

The Commission will require NSP to file compliance rates and a refund plan that reflect the decisions made here within one week of the issue date of this Order. The Commission is aware that the Company would like to implement final approved rates by November 1, 1988. The Commission puts the Company on notice that parties will be given an opportunity to file written comments on NSP's compliance filing and refund plan. It is the Company's responsibility to ensure that parties receive the filing in a timely manner which will provide parties a minimum of 5 days to file of their comments.

Finally, the Company's request for a partial stay of the Commission's Order until all post-hearing matters relating to jurisdictional demand cost allocation and nuclear decommissioning are resolved will be denied. The decisions made here render the stay issue moot. The Company may refile this type of motion following Commission action on NSP's compliance filing and refund plan.

### ORDER

1. The Petitions for Reconsideration filed by the Minnesota Department of Public Service, the Residential Utilities Division of the Office of the Attorney General, and the North American Water Office are hereby denied.
2. The Petition for Reconsideration filed by Northern States Power Company is granted on the issue of jurisdictional demand cost allocation as explained above.
3. Within 30 days of this Order, NSP shall file with the Commission and serve on all parties the conservation objective information required by the Commission's August 23, 1988 Order.
4. The Company shall file with the Commission and serve on all parties compliance rates and a refund plan reflecting the decisions made herein. Parties will have 5 days to file written comments with the Commission and serve them on all parties to this proceeding.
5. The Company's Motion for a Partial Stay is hereby denied.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)